

PROCEEDINGS OF THE  
INTERNATIONAL CARBON NEUTRALITY TRAINEESHIP PROGRAM  
Volume.01, Number.1, 2023, 95-100

## **A Study on the Green Marketing in Food Industry Based on STP Marketing Strategy- Focusing on Nestlé**

**Beiya SHI**

Hainan University, Haikou City, Hainan Province, China, 570228

E-mail: 956097791@qq.com

**\*Corresponding author**

### **Abstract**

With the development of the global economy and the progress of science in recent decades, the demand for healthy, high-quality, and nutritional diets and food is ballooning dramatically. Furthermore, climate change has drawn more sight and concerns owing to the increasing number of climate disasters and intricate interests web which involved most countries in the international community. Carbon neutrality, one of the most heated topics among politicians and businesspersons, is placed on the agenda of a myriad of enterprises. Without exception, food companies must conform to the demand of consumers by launching green products and deploying green marketing strategies. To approach this theme with a scientific and detailed perspective, the STP marketing model will be applied to analyze the current market situation against Nestlé and how it capitalizes on the environmental conservation mania to earn a larger market share for itself. The report is divided into three parts. The first one will briefly introduce the backdrop of the green food market and the motivation of the research, as well as the theoretical model used in the paper. In the second part, the specific conditions in the food industry will be delineated and exemplified by Nestlé based on the STP marketing model. Lastly, the conclusion will cover some lessons drawn from Nestlé's experiences and point out where the food industry should move forward.

**Keywords:** The green marketing; STP; Nestlé.

## **1. Background and motivation of the study**

Climate change manifests its urgency through the higher frequency of extreme weather and natural catastrophes, which have exerted pronounced pernicious effects on human beings' work and life. Hence, the issues of climate governance were placed on the top agenda in the international community, and developed countries, especially European Union, play a vital role in the process of greening industries for a cleaner world in the future.

According to the *Corporate Net Zero Pathway* (Boston Consult, 2021), food products almost emit greenhouse gases in the entire industrial chain from research, harvesting, processing, distribution, retail, and storage, among

which farming activities can account for more than 60% of the total emissions of agri-food enterprises, and more than 90% of the emissions of food manufacturers mainly come from raw materials, procurement, packaging, and logistics.

Enterprises and their chief executive officers should also be fully aware that carbon neutrality is usually a cumulative result of more than ten or even decades, which requires considerable manageable effort and financial investment throughout research and development, production and marketing processes. From the cost of technological transformation to the certification of carbon footprint, the tremendous inputs may become an obstacle for the supply chain partners to carry out carbon neutrality practices, and eventually affect the identification of the carbon emission of food enterprises in the whole life cycle of products. Despite the difficulties, driven by the continual preferential policies pertaining to carbon neutrality and the shift in the consumption habits featured by green orientation, food firms have seen carbon reduction as a key match point to win the future.

For instance, zero-carbon or negative-carbon agricultural products, which refer to agricultural products with net greenhouse gas emissions of less than or equal to zero, are gaining popularity in the food industry. China's first zero-carbon milk, Yili SATINE A2 beta-casein organic pure milk has obtained the carbon neutral Verification Statement (PAS 2060) issued by Bureau Veritas, a world-renowned international inspection and certification group, and achieved carbon neutrality in its whole life cycle. Its NOC ice cream also rose to stardom in the Chinese market, which is labeled as a "zero-carbon" product. In late 2020, Mondelez's SnackFutures innovation arm debuted NoCOé, a French carbon-neutral snack brand. EverGrain, an ingredients company buttressed by Anheuser-Busch, and Post Holdings subsidiary Bright Future Foods announced a partnership in 2021 to develop products that have a negative carbon footprint, implying that their production would remove more carbon from the atmosphere than they emit. They plan to use EverGrain's repurposed barley protein and fiber and Bright Future Foods' "climate-positive" oats. In May of the same year, the first product from the partnership, Airly Oat Clouds crackers, was launched.

Given these actions against risks and hindrances faced by the decarbonization of the food industry taken by giants, there is a wide space for green products to go deeper into the market with the help of green marketing.

## 2. Theoretical basis - STP strategy model

The theory of Market Segmentation was first proposed by marketing scholar Wendell Smith and further developed by Philip Kotler, who extended it into the complete STP theory in the book *Marketing Management* (Philip Kotler, 1996). It mainly includes market segmentation, as well as target market selection and market positioning, which together serve as the core of strategic marketing.

**Market segmentation theory.** Consumers tend to have similarities in their behaviors, demographics, buying patterns and other factors that enable businesses to group them into segments. This enables smarter, more appropriate targeting and messaging within marketing communications. These groups will have different uses for products and varying perspectives on services. Their lifestyles will be inherently different based on their needs, aspirations, opinions and much more. Thereby, enterprises in a specific market segmentation should identify their target market and position their products or services accordingly (Kingsnorth, 2016). Specifically speaking, the enterprise or sales personnel subdivide the whole market of a certain product or service into several different consumer groups on the basis of market research about consumer demand, purchase behaviors, and consumption habits. Each consumer group is equivalent to a specific market segment that is composed of consumers with similar demand tendencies (Aaker D. A., 1996). There are five common forms of segmentation, that is, geographic, demographic, behavioral, benefit, and psychographics.

**Target market.** The enterprise assesses which segments it will eventually enter into among the segmented ones. It is a key point to identify the target market accurately, as well as products and services that can meet customers' needs. The undifferentiated market strategy, differentiated market strategy, and concentrating marketing are applicable during the selection of the target market (Steven Silbiger, 2005). Moreover, when evaluating the potential and commercial attractiveness of each segment, customer lifecycle marketing could work and deserve detailed observation via demand analysis.

**Position.** Al Ries and Jack Trout proposed that positioning starts with a specific product, which may be a good or service, an institution, or an individual. However, the first step is to figure out what customers' expectations are. In

Trout's viewpoint, positioning distinguishes your business and products from competitors and creates a core competency. You should ensure that your customers have a clear picture of and a deep impression of the brand (Phillip Kotler, et al., 2022). Iris claims that positioning is to find a space in the customer's mind and occupy it as a "base". Virtually, marketing activities are competing for the customers' attention in modern society. Furthermore, enterprises should grasp the target consumers' characteristics, and the common ones are that customers can only receive a small amount of information, prefer simplicity instead of complexity, tend to hold a stereotype of their impressions of a brand, and shift their focus rapidly (Al Ries, Jack Trout, 2001). In this way, firms will benefit from occupying the best position in the brain of customers.

### 3. Analysis of the green marketing based on Nestlé

#### 3.1. The market segmentation of the green food industry

As an international giant in the food industry, Nestlé sets foot in substantial food ranges, from instant coffee, and healthy nutrients to milk powders. Actually, "green" is a neutral label that can be attached to manifold products, while this concept has been deeply interwoven with "healthy" and "high-end" as well.

Nestlé consumers can be divided from the psychological dimension into the group concerned about climate change issues, the group holding a neutral stance, and the group who show little care about it. The first category of customers mainly constitutes environmentalists, vegetarians, vegans, or people with tertiary education and respectable income, who keep a sharp lookout for quality and are relatively low sensitive to price. What they genuinely take heed of regarding products is whether the company honors its promise of reducing carbon emissions through the process from farm to table. They are also keen on understanding the sourcing of raw materials, the production process, and the company's social and environmental impact. That could account for the finding of Wheeler et al. (2013) that insufficient information sources negatively affect consumers' intentions to purchase green products, while advertisements that stress the importance of the cause stimulate their willingness to buy a product.

The second category is composed of individuals who show a weak preference for the environmental value of the food offerings or low interest in climate change problems. Nevertheless, in light of the agenda-setting function of media, the masses, now, are more frequently informed of the deplorable aftermaths of climate disasters. This type of customer hesitates to pay for green products, for their determinations are swayed by plenty of external factors, among which price is critical one, which means that they are more apt to take green food into account within their affordability, though it does not ensure ultimate purchase still. On top of that, out of certain purposes, such as the pursuit of premium goods or recognition from peers or society for their environmentally-conscious consumption choices, they may pay for zero-carbon products from time to time.

The last category is, in the main, consumers who have little awareness of environmental protection and have extremely limited consumption choices because of meagre earnings. For one thing, probably they have acquired knowledge about the urgency of green transition but the messages are distorted owing to their deep scepticism and inherent prejudice, the conflict with their established cognitive systems, and so forth. For another thing, a slender income that sets a restriction on their consumption capacity begets an averse attitude towards relatively expensive green products. No matter which class they fall into, obviously they are not major customers of green foods.

#### 3.2. The marketing targeting of green products

Nestlé puts numerous greening efforts into its high-end product portfolio. In that greening the whole industrial chain gave rise to the surge in costs, the "zero-carbon" products tend to emerge as a premium pearl in each line.

Take Nestlé Nan milk powder as an example. The mothers' great concerns about baby food products rest on the safety, in particular ingredients and nutrients, which means that, to a large degree, parents are more likely to purchase baby food products moderately beyond their consumption level and less sensitive to the prices of high-quality products. Meanwhile, according to a survey conducted by Nestlé and JD.com, nowadays, the vast majority of mothers are apt to have natural birth, breastfeeding, and natural organic food to follow the baby's natural growth, which

reflects that the parenting concept of following the law of nature is gaining popularity among the young generation of mothers. And breast milk, by its advantages of purity, safety, and enhancement of communication with babies, has become the vivid embodiment of a mother's natural view of parenting (iiMedia Research, 2020). However, such a desire failed to be satisfied due to the fact that females at work would be overwhelmed by striking a balance between family and work. It creates a huge market for organic baby food. Since this group of women with a job are more common in middle-income families with dual earners, middle-end or high-end organic milk powder for upmarket is just the ideal alternative for babies up to 12 months. Such descriptive traits correspond to the aforementioned first type of customers with high environmental awareness stemming from the tertiary education they received and the effective response to social messages.

From the case, Nestlé's green products should take the consumers with an eye on climate change spontaneously and ones who have psychological motivators of conserving the environment but are still sensitive to prices as targets. As for the former, high green premiums are justified, and they could be the chief source of current rising profits generated from green products. In terms of the latter, they can perform as future mainstream customers with a high potential to purchase and repurchase green products. The key is to cultivate their consumption habits of premium green foods by leveraging the customers' psychology of the desire for the recognition of green consumption and enhancing the performance-to-price ratio.

### 3.3. The marketing positioning of green products

Nestlé's market position is high-income people who pay attention to climate change and healthy lifestyles. The price serves as a significant factor to posit Nestlé's green products as high-end goods. A case at hand is Nestlé's Garden Gourmet plant-based foods and Garden of Life dietary supplement brands. The supplements as unnecessaries do not have a wide customer base, while this feature of concentrating on the fitness-focused group is beneficial for Nestlé to devote to the premium products, and catch a large proportion of customers in this niche market. For instance, its SPORT Organic Plant-Based Protein Vanilla Powder and Raw Organic Perfect Food Green Superfood Original Powder with special organic certificates are sold at a price over \$45 (\$56.99 and \$45.99 respectively), while its Dr. Formulated Magnesium Raspberry Lemon Powder or Mykind Organics Golden Milk Powder are about \$25.99 to \$29.99. (The nuances of net weight within 50g are negligible here). The former lines of green products are priced some 70% or 90% higher than the ordinary or middle-end ones.

### 3.4. Measures for green transition

The task of achieving zero-carbon agricultural products is formidable. Ordinary farming uses pesticides and fertilizers, which produce enormous greenhouse gases such as methane and nitrogen. Research data shows that agriculture and animal husbandry contribute about 17% to global greenhouse gas emissions, ranking third only after the energy industry and construction industry. According to the *Corporate Net Zero Pathway* (Boston Consult, 2021), the food needs to be developed, raised, harvested, processed, distributed, retailed, and stored before reaching the table, each of which produces greenhouse gas emissions. Global food consumption is expected to grow by as much as 70% in the coming decades as populations grow and diets shift toward meat, making it potentially challenging to cut down carbon emissions in agriculture and food while meeting basic human needs. To tackle the dilemma, multiple food enterprises are highly vertically integrated, integrating product processing and sales with independent farm operation. Carbon emissions from breeding activities can account for more than 60% of the total emissions, and methane emissions from livestock manure cannot be ignored. More than 90% of food manufacturers' carbon emissions mainly come from indirect emissions, including raw materials, procurement, packaging, and logistics.

From the carbon emission reduction measures taken by Nestlé, it enlightens the producers to curtail carbon emissions from farming activities in the upstream agricultural and animal husbandry links, use fertilizers scientifically and efficiently, improve the soil environment, increase the use of clean energy in processing and manufacturing links, and improve packaging recycling. These measures aim to whittle down the carbon emissions in transportation and distribution of raw materials and products, which are hidden behind the products and cannot be detected by consumers for a long period.

Nestlé takes a whole-life cycle approach to determine the carbon footprint of its products. At the same time, since most of the carbon emissions come from outside Nestlé's business operations, efforts are supposed to be made to identify carbon reduction projects in all links of the value chain and implement them to the fullest, which will increase the challenges and costs. So far, Nestlé has invested 1.2 billion Swiss francs globally to promote renewable agriculture in its supply chain, part of a total investment of 3.2 billion Swiss francs by 2025. The adoption of new technologies also increases costs. Plus, Nestlé is accelerating its work in the areas of product production, packaging, and carbon-neutral branding in part by taking steps internally to pare down costs and improve performance to absorb the increased costs of new investments.

It is estimated that nearly two-thirds of the overall emissions of Nestlé's products come from land use and agriculture, so Nestlé resorts to the promotion of regenerative agriculture and reforestation and regards it as a key issue for their carbon reduction commitment. Their target is to source 20% of key ingredients through regenerative agriculture by 2025, and 50% by 2030, which means that over 14 million tonnes of ingredients will be supported by regenerative practices. The goal is advanced by cooperation with more than 500,000 farmers and 150,000 suppliers. Also, they are moving towards a Forest Positive approach and entertain an ambition of maintaining 100% deforestation-free primary supply chains by the end of 2025 for coffee and cocoa. Another investment project, the Global Reforestation Program, targeting 200 million trees planted by the end of the decades is steadily making strides, in order to further regenerative farming and coordinated collaboration with local farmers in source areas.

On the operational side, Nestlé expects to run 100 percent renewable electricity in its 800 workplaces in 187 countries within the next five years. Nestlé is working to transform its global fleet into a low-emission one and will reduce travel or offset the resulting emissions by 2022. In addition, Nestlé has adopted water conservation and regeneration measures, as well as efforts to address food waste in its operations.

In terms of product mix, Nestlé constantly introduces new plant-based foods and beverages and adjusts the formula to make the products more environmentally friendly. The organization is also working to create more "carbon neutral" brands to give consumers a chance to contribute to the fight against climate change ("Nestlé's Net Zero Roadmap", 2021).

The current food market witnesses a leap in the number of companies that are committed to sustainability and heavily inject capital into the concept of "green food" during market campaigns. When new technologies are adopted more broadly, the cost will naturally come down and the loyal consumers of green products will spike as well. It should be realized that carbon neutrality results from years of investment and accumulation, not overnight, but the boost of the green food market will reward all endeavors one day.

## 4. Conclusion

The world's response to climate change is confronted with the tough hindrance of the rocketing price of energy, the turbulent international landscape, and the slugging global market incurred by the persistent pandemic and following inflation. The food industry which boasts a huge customer base for its role as essentials remains a large growth space, though the sales of green products may face a sag in the short term. On the other side, the rebounding demand for healthy organic food is expected to be strong in that the pandemic enables people to pay more attention to their diet and personal health and prods more into environmental conservation by bringing them home that ecosystem health is inextricably linked to human existence. Nestlé, as a business tycoon, has developed an approximately comprehensive roadmap of carbon neutrality and is implementing it step by step. Other food companies can learn from their experiences through each line from farm to table to mitigate their carbon footprints, such as responsible procurement, zero plastic packaging, smart and green logistics, and recycle labels and recycle systems. There is little doubt that green food is the new battlefield as well as the promising growth point for all food players. The pioneers in this field enjoy more advantages to seize a larger share of the market for sustainable development in the coming future.

## ***Reference***

- [1] Aaker D. A. (1996). Building Strong Brands.
- [2] Al Ries, Jack Trout. (2001). Positioning: The Battle for Your Mind (1st ed.). [McGraw Hill.
- [3] Boston Consult. (2021). Corporate Net Zero Pathway.
- [4] Climate delivery and sustainable sourcing, nestlé. (2021, February). Accelerate, Transform, Regenerate: Nestlé's Net Zero Roadmap. <https://Www.Nestlé.Com/Sites/Default/Files/2020-12/Nestlé-Net-Zero-Roadmap-En.Pdf>.
- [5] IiMedia Research. (2020). Group Behavior Insight Report of Chinese Mothers in 2020. <https://Www.Iimedia.Cn/C400/70212.Html>.
- [6] Kingsnorth, S. (2016). Digital Marketing Strategy: An Integrated Approach to Online Marketing. Kogan Page Publishers.
- [7] Philip Kotler. (1996). Marketing Management (9th ed.).
- [8] Philip Kotler, Kevin Lane Keller, Alexander Chernev. (2022). Marketing Management (16th ed.).
- [9] Steven Silbiger . (2005). The 10-Day MBA.
- [10] Wheeler, M., Sharp, A., Nenycz-Thiel, M., 2013. The effect of 'green' messages on brand purchase and brand rejection. Australas. Market J. 21 (2), 105–110.